



Ministry
of
Revenue

Lorne Maeck
Minister

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Retail Sales Tax Branch

Information Bulletin

Retail Sales Tax Act

Number 3 - 80

Date: April 22, 1980

Government
Publications

Pour obtenir cette publication en français, veuillez communiquer avec votre bureau régional de la Taxe de vente au détail.

ONTARIO BUDGET 1980

This Information Bulletin is to advise you of changes in the Retail Sales Tax proposed by the Treasurer of Ontario, The Honourable Frank S. Miller, in the Ontario Budget of April 22, 1980.

The details as presented in this Bulletin are in summary form. If you require information beyond this summary material, please contact your local Retail Sales Tax District Office listed on the back page of this Bulletin.

BUDGET HIGHLIGHTS

- COMPENSATION TO VENDORS — LIMITS INCREASED
- ENERGY CONSERVATION MATERIALS AND EQUIPMENT — EXEMPTION EXTENDED
- RESEARCH AND DEVELOPMENT — EXEMPTION EXTENDED
- ALCOHOL — EXEMPT FOR GENERATING POWER BY MEANS OF INTERNAL COMBUSTION
- MATERIALS INCORPORATED INTO FARM GRAIN STORAGE BINS AND DRYERS — REBATE OF TAX



COMPENSATION TO VENDORS — LIMITS INCREASED

The minimum compensation per return card is increased to \$16.00 or the amount of tax collected, if less than \$16.00.

The rate of compensation remains at 4% of the tax collected on sales, but the overall maximum compensation is increased to \$1,000 per fiscal year.

The increased limits of compensation are shown in the table below:

| TAX REPORTED ON EACH RETURN CARD | COMPENSATION (MAXIMUM \$1,000 PER FISCAL YEAR) |
|--|--|
| 0 to \$16.00 | The tax collected |
| \$16.01 to \$400.00 | \$16.00 |
| \$400.01 and over | 4% of tax collected — maximum \$1,000 per fiscal year |

Fiscal year means the twelve months commencing April 1.

The increased levels of compensation apply to tax collected on sales made on and after April 1, 1980 and will therefore apply for returns due to be filed May 23, 1980 or later. The maximum compensation payable to any one vendor may not exceed \$1,000 for the fiscal year regardless of the number of different locations, businesses or names he may use.

Compensation can be claimed *only* on tax collected on sales, not on the tax payable for goods purchased or manufactured for own use by the vendor.

Compensation may be disallowed on a return that is filed after the due date, or where the return card is not accompanied by a negotiable remittance in the correct amount.

Co-operating in



Energy Ontario

ENERGY CONSERVATION MATERIALS AND EQUIPMENT — EXEMPTION EXTENDED

The existing exemption for energy conservation materials and equipment is extended to the following items purchased on or after April 23, 1980:

- weather stripping and caulking materials designed for the purpose of preventing heat loss in a building,
- machinery or equipment known in the trade as "heat recovery chillers" that are designed for use in an air-conditioning system to recover heat: this exemption is for the heat recovery chiller only and does not extend to other components of the system of which it forms a part nor to repair parts,
- vehicles required to be licensed under The Highway Traffic Act for which the power to propel the vehicle is derived exclusively from electrical energy or exclusively from the combustion of:

- hydrogen
- propane
- natural gas
- alcohol
- manufactured gas

This exemption is for complete vehicles only, and does not extend to repair parts, individual components or conversion kits nor to any vehicle propelled in whole or in part by energy from the combustion of fuels taxed under The Gasoline Tax Act or The Motor Vehicle Fuel Tax Act.



RESEARCH AND DEVELOPMENT — EXEMPTION EXTENDED

Existing provisions in the Retail Sales Tax Act exempt certain machinery and equipment used directly in the development of products or manufacturing processes by a manufacturer for his own use.

Effective April 23, 1980 the existing exemption for development at section 5(1)38a of the Retail Sales Tax Act is expanded to include equipment used in:

- (a) development by manufacturers for the *use of others*, and
- (b) *research* by manufacturers aimed at the development of goods or production processes, whether for own use or for the use of others.

Therefore the exemption will now extend to machinery or equipment used by a manufacturer exclusively and directly in research and development of:

- (i) goods for manufacture or production either for own use or the use of others
- (ii) manufacturing or production processes either for own use or the use of others

subject to the exclusions set out in section 13(2), 13(3) and 13(4) of Retail Sales Tax Regulation 784. However, plans and drawings used exclusively in research and development will be exempt.

Examples of items that may qualify for exemption are computers, test equipment, control equipment or devices and plans and drawings provided they are used *only* in research and development. If such items are subsequently put to a taxable use, tax is due on the fair value of the item at the time of change of use.

The exemption also includes materials that are purchased to be used up or expended by a manufacturer as provided at paragraph 38 of section 5(1) of the Retail Sales Tax Act and which are described in Retail Sales Tax Ruling 11.

It should be emphasized that the production machinery and related exemptions apply to manufacturers only.



ALCOHOL — EXEMPT FOR GENERATING POWER BY MEANS OF INTERNAL COMBUSTION

On and after April 23, 1980 any alcohol or mixture of alcohol and gasoline is exempt from retail sales tax if sold for the purpose of generating power by means of internal combustion and if the gasoline portion of the mixture is taxable under The Gasoline Tax Act.



MATERIALS INCORPORATED INTO FARM GRAIN STORAGE BINS AND DRYERS — REBATE OF TAX

Persons engaged in the business of farming will be eligible for rebates of retail sales tax paid on purchases of qualifying materials and component parts for incorporation into new grain storage bins or structures used exclusively to dry grain.

The rebate applies only to purchases made on or after April 23, 1980 and is available only to a person engaged in the business of farming.

The rebate may be claimed in either of the following ways:

- (i) where the materials are purchased by a person engaged in the business of farming he may apply for a rebate of the actual tax paid. The application must be made within three years of the payment of the tax; or
- (ii) where the grain storage bin or grain drying structure is supplied and installed by a person other than the farmer, the installer pays tax on the materials and the farmer may apply for a rebate of the tax on a formula basis. The formula is 3 per cent of the contract price for the grain storage bin or structure used exclusively to dry grain but not including charges for supports, foundations and footings. The application must be made by the farmer within three years after the last payment has been made under the contract.

The rebate does not apply to:

- parts or materials used to repair or rebuild grain storage bins or structures
- supports, foundations, footings
- buildings such as barns and silos
- structures other than new structures used exclusively to dry grain.

General rebate application forms are available upon request from the Retail Sales Tax District Offices listed on the back of this Bulletin.

Grain drying *equipment* and *mobile* grain storage bins are already exempt from retail sales tax to a person engaged in the business of farming if he gives his supplier a properly completed purchase exemption certificate. Details of other exempt farm items are described in Retail Sales Tax Ruling 14 available from your local District Office.

NON-BUDGET ITEMS

- **REBATES FOR VISITORS TO ONTARIO**
- **EXEMPTION ON ALL-CANADIAN THEATRICAL AND MUSICAL PERFORMANCES**
- **CONTRACTORS — SUPPLY AND INSTALLATION OF MACHINERY AND EQUIPMENT**
- **"IF YOU NEED ASSISTANCE"**

REBATES FOR VISITORS TO ONTARIO

In the Spring of 1979 the Ministry of Revenue in co-operation with the Ministry of Industry and Tourism issued a special pamphlet as part of the "We Treat You Royally" program.

The pamphlet explained the existing procedures for tourists making purchases in Ontario. Tourists may buy goods free of retail sales tax if the vendor ships the goods directly out of Ontario. Alternatively tourists may claim a rebate of retail sales tax from the Branch if they remove the goods permanently from Ontario within 30 days of purchase. Some purchases made by visitors to Ontario are also consumed in Ontario, and therefore the tax cannot be rebated. Examples of these are: meals in excess of \$6.00; rentals; gasoline; entertainment. By stimulating tourist purchases the program has benefitted both tourists and vendors in Ontario.

The pamphlet has been reprinted and contains a revised rebate application form. After present stocks are used up, vendors may obtain a supply of the new pamphlets from the nearest Retail Sales Tax District Office or the Ministry of Industry and Tourism. A display stand for the pamphlets is also available on request.





EXEMPTION ON ALL-CANADIAN THEATRICAL AND MUSICAL PERFORMANCES

On March 6, 1980 the Minister of Revenue announced the removal of the 10 per cent provincial sales tax on admission to commercial Canadian theatrical and musical performances. This change applies to all tickets sold after March 14, 1980.

In the past, performances held or staged by charitable or non-profit groups were exempt from the tax. This exemption will now be extended to any organization sponsoring live commercial performances in which all performers are Canadian citizens or landed immigrants.

The status of Canadian performers may be substantiated by such documents as a Canadian birth certificate, a Canadian passport, Canadian citizenship papers or landed immigrant documents.

"Performers" means persons taking an active part in the performance, e.g., actors, singers, dancers, musicians and pit orchestra members but does not include personnel such as managers, directors, producers, stage hands, make-up personnel.

The exemption is automatic and there is no need for vendors to apply for exemption. However, the onus is on the vendor to satisfy himself that the conditions of the exemption are met and the vendor should maintain on file the necessary documentation for inspection by Ministry officials in the conduct of an audit.

This change will not only assist in the promotion of Canadian talent in Ontario but is also designed for administrative simplicity and the least inconvenience to vendors of admissions.



CONTRACTORS — SUPPLY AND INSTALLATION OF MACHINERY AND EQUIPMENT

A construction contractor who builds structures and buildings for others does not charge retail sales tax on sales of them to his customers but he does pay tax on his purchases of materials to construct them. This tax treatment of real property construction has existed for some time. It results from a Supreme Court of Canada decision that construction contractors are the users and consumers of the goods and materials they incorporate into buildings and structures.

The same tax treatment applies when a contractor installs machinery, equipment and other chattels into buildings, structures or land. Once these chattels are firmly affixed to real property they are referred to as fixtures and may be considered real property.

The contractor normally pays sales tax to his supplier based on the cost of the materials he incorporates into a building or structure and on items that become fixtures upon installation. If the contractor manufactures any of the materials or fixtures himself he pays sales tax calculated on his manufactured cost.

A contractor who obtains materials or chattels (including machinery and equipment) for use in fulfilling construction contracts either by manufacturing them himself or by purchase from outside Ontario or from a non-registered vendor pays sales tax directly to the Retail Sales Tax Branch.

Certain items are exempt from tax to a contractor when purchased by him for the use of a manufacturer or to be incorporated into a public hospital, nurses' residence, school, university, municipality or local board of a municipality. In order to include the proper amount of retail sales tax in tenders, contractors should obtain details on these and other exemptions from their local District Office.

"IF YOU NEED ASSISTANCE..."

The Ontario Government continues to improve its services to the public, making it simpler wherever possible to get through the paperwork and get through to government.

For example, a number of smaller Retail Sales Tax vendors have been given the option of filing their tax returns less frequently and the Ministry of Revenue is examining the possibility of extending this privilege to a larger group. We have also simplified the vendor return card and, if you have suggestions for further improvements to any of our forms, please let us know.

TOLL-FREE TELEPHONE SERVICE

Also as part of the program to improve services, toll-free telephone lines are being installed in Retail Sales Tax District Offices. These are in place in the Kitchener, London and North Bay areas. Installation of the new system in each area is being co-ordinated with the publication of the new Bell telephone directory, so when your directory arrives, refer to the 'blue pages' of government listings.

In the meantime, in those calling areas where the new system is not yet in service, you may still reach the Ministry of Revenue's toll-free Information Centre for referral of Retail Sales Tax enquiries:

- In Metro Toronto, dial 965-8470
- In area code 807, ask the operator for Zenith 8-2000
- In all other areas, dial 1-800-268-7121

All current District Office telephone numbers are listed at the end of this Bulletin.

TAX GUIDES

The Retail Sales Tax Branch has also produced a series of Sales Tax Guides for quick reference to various sections of the Act and Regulations as they apply to specific businesses. To date, nineteen of these guides have been issued. We will continue to add to the series and update earlier issues as necessary. Current guides have not only proved helpful to businesses but have also been appreciated by their customers.

Your local District Office will give you information on those guides which relate to your particular business.

TAX SEMINARS

To assist groups, associations, businesses, accountants, etc. in their understanding of the Retail Sales Tax legislation, the Branch has been conducting local seminars for almost ten years.

These professional seminars are held on request, generally in community colleges in various locations in Ontario. The Branch provides expert speakers, with practical knowledge of the legislation, audio-visual presentations and literature. Ample time is allowed for discussion of common problem areas.

The emphasis has been on the manufacturing industry, but if your group is interested in any other area, please get in touch with your local District Office for information.

Retail Sales Tax District Offices and the areas served by each are listed below:

BELLEVILLE

208 Dundas St. E.
K8N 1E3

Regional Municipality of Durham
—Town of Newcastle
County of Frontenac
Provisional County of Haliburton
County of Hastings
County of Lennox & Addington
County of Northumberland
County of Peterborough
County of Prince Edward
County of Victoria
(613) 962-9108

HAMILTON

361 King St. W.
L8P 1B4

County of Brant
Regional Municipality of Halton
Regional Municipality of Peel
Regional Municipality of
Hamilton-Wentworth
(416) 528-8393

KITCHENER

449 Belmont Ave. W.
N2M 1N2

County of Huron
County of Perth
Regional Municipality of Waterloo
County of Wellington
(519) 576-8400
Zenith 71020

LONDON

310 Wellington Rd.
N6C 4P4

County of Elgin
County of Lambton
County of Middlesex
County of Oxford
(519) 433-3901
Zenith 62350

NORTH BAY

1500 Fisher St.
Northgate Plaza
P1B 2H3

District of Cochrane
District of Nipissing
District of Parry Sound
District of Temiskaming
(705) 474-4900
In area code 705:
Toll Free 1-800-461-1564

ORILLIA

19 Front St. N.
P.O. Box 670
L3V 6K5

County of Bruce
County of Dufferin
County of Grey
District Municipality of Muskoka
County of Simcoe
Regional Municipality of Durham
—Township of Brock
—Township of Uxbridge (Scott)
Regional Municipality of York
—Township of Georgina
—Township of East Gwillimbury
(705) 325-9587

OTTAWA

1355 Bank St.
K1H 8K7

Regional Municipality of Ottawa-
Carleton
United Counties of Stormont,
Dundas & Glengarry
United Counties of Prescott &
Russell
United Counties of Leeds &
Grenville
County of Lanark
County of Renfrew
(613) 523-9760

SUDBURY

1536 Lasalle Blvd.
P3A 1Z7

District of Algoma
District of Manitoulin
District of Sudbury
Regional Municipality of Sudbury
(705) 674-3151

THUNDER BAY

435 James St. S.
P.O. Box 5000
P7C 5G6

District of Kenora
District of Rainy River
District of Thunder Bay
(807) 475-1681

TORONTO

2300 Yonge St.
10th Floor
M4P 1H6

Regional Municipality of Durham
—City of Oshawa
—Town of Ajax
—Town of Pickering
—Town of Whitby
—Township of Scugog
—Township of Uxbridge
(Uxbridge)
Regional Municipality of York
—Town of Aurora
—Town of Markham
—Town of Newmarket
—Town of Richmond Hill
—Town of Vaughan
—Town of Whitchurch-Stouffville
—Township of King
Regional Municipality of
Metropolitan Toronto
(416) 487-7161

WELLAND

76 Division St.
L3B 3Z7

Regional Municipality of
Haldimand-Norfolk
Regional Municipality of Niagara
(416) 732-1318
In St. Catharines and in Niagara
Falls
(416) 688-1360
(416) 688-1368

WINDSOR

250 Windsor Ave.
N9A 6V9

County of Essex
County of Kent
(519) 252-4404